

EXHIBIT B

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
3 -----x

3 UNITED STATES OF AMERICA

4 v. 10 Cr. 228 (LTS)

5 DANIEL BONVENTRE,
6 JEROME O'HARA,
7 GEORGE PEREZ,
8 ANNETTE BONGIORNO,
9 JOANN CRUPI,

Jury Trial

8 Defendants.

9 -----x

New York, N.Y.
October 28, 2013
9:10 a.m.

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11

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Before:

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HON. LAURA TAYLOR SWAIN

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District Judge

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APPEARANCES

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PREET BHARARA

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Southern District of New York

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1 What you have on the screen, these were the main
2 investment strategy time line. If you start on the left, back
3 in early 1970, there was a strategy called the convertible
4 arbitrage strategy. That was the main strategy that was
5 purportedly being used at Madoff Securities for many, many,
6 many years.

7 The convertible arbitrage strategy is here in the
8 gray. You can see the blue, and that is what is called a split
9 strike conversion strategy. That strategy, while it was used a
10 little bit in the late '80s, really came on strong at the end
11 of '92, beginning of '93. This was a major change in what was
12 going on at Madoff Securities in the investment advisory
13 business. I will explain why this occurred.

14 But the convertible arbitrage was no longer the
15 investment choice of the day, so to speak, and the split strike
16 conversion strategy then became what Madoff Securities was
17 telling its investors it was using. So a major shift in
18 strategy. That went right up till December 11, 2008, when
19 Bernard Madoff confessed to the fraud and the Ponzi scheme.

20 Q. Let's go to the next line. What evidence did you look at
21 in analyzing these different trading strategies to reach your
22 conclusion that none of the trading actually occurred?

23 A. Again, I would say this is a summary of what I reviewed and
24 what my team reviewed at Duff & Phelps. Just run down this
25 list, because I think it is very important to go through this

1 and understand. Then we can talk about it, I can explain in it
2 more detail.

3 I looked at the Madoff Securities DTC and OCC
4 positions. DTC, the Depository Trust Corporation, I'll explain
5 this again. That is kind of the bank vault where the stock
6 should have been sitting, not at Madoff Securities but at a
7 third-party kind of custodial type organization. The Option
8 Clearing Corporation is a corporation which tracks all of the
9 options transactions in the United States and how those clear.
10 I looked at data and positions from that.

11 I looked at the Madoff Securities computer systems and
12 programs on both sides, both on the House 05 -- we had the
13 slide up -- the House 05 side, where there was the market
14 making, the prop trading, and I looked at computer systems in
15 the investment advisory business.

16 I needed to look at third-party public market data.
17 To be able to prove to myself that the trading didn't occur, I
18 needed to go out and get third-party data that is reported from
19 a variety of sources, to somebody that selects all that data.
20 You have heard of Bloomberg. Obviously, Bloomberg is the mayor
21 here, but you have heard of Bloomberg the company that Mayor
22 Bloomberg started. It is a huge company that collects
23 financial data. They collect information. You can go to
24 Bloomberg and look at historical information.

25 There were other sources of information. The Wall

1 Street Journal. I had people that went down to the New York
2 Public Library and pulled old numbers all the way back as far
3 as we could go, old bond guides. There were books that the
4 talked about the old pricing of bonds and preferred stocks in
5 the old stacks of the New York Library. We had to go back and
6 pull that data, because you can't get it online.

7 What that enabled me to do was use that data to prove
8 to myself that the trading never occurred. I am going to go
9 through in detail how that worked.

10 Dividend information, Mr. Zach, we talked about how
11 dividends. If you legitimately owned stock and it was a
12 dividend-paying stock, those dividends would come into your
13 account. We saw a statement with some dividends that were
14 credited to it. How did I know those were legitimate dividends
15 or not?

16 There were ways, and again I'll explain to you as we
17 get into this, how I proved to myself that those dividends
18 never were paid, never were received by Madoff Securities, and
19 in some instances were purportedly paid on the wrong date. To
20 do that I needed to get the market information, what those
21 companies actually did. I couldn't just look at a statement
22 and determine on the face of the statement. I needed to go
23 further and do that.

24 Electronic customer data. I think I said on Thursday
25 when I was testifying, I think there were 41 or 46 million